**TESTIMONY**

**before the**

**U.S. HOUSE OF REPRESENTATIVES**

**COMMITTEE ON SMALL BUSINESS**

**Subcommittee on Contracting & Technology Hearing**

**entitled**

**"Small Business Renewable Energy Tax Incentive Possibilities"**

**Presented by**

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## Introduction

Mr. Chairman, Ranking Member Davis, and members of the Committee, thank you for allowing me to testify on behalf of Western Dubuque Biodiesel in Farley, Iowa and the Renewable Energy Group, Inc. (REG) about incentives for renewable energy in this country. Our Western Dubuque facility, which we cut the ribbon on just two weeks ago, will produce up to 30 million gallons annually of biodiesel and employ 31 hard-working Iowans making alternative fuels from Iowa's home-grown farm crops. The Farley plant is the 6th plant in REG's network of biodiesel facilities, bringing REG's capacity to 162 million gallons per year.

I would also like to note that REG is working toward constructing a new biodiesel facility in Rock Port, Missouri, located in Congressman Graves' district. As a constituent and on behalf of REG, I feel very well represented on this Subcommittee today.

**Background on Renewable Energy Group, Inc. and Biodiesel**

In the past few years, the biodiesel industry has grown by nearly a factor of 10. The State of Iowa sits in the spotlight as the industry leader in production. REG is fostering growth of biodiesel nationwide with our biodiesel network. Today, out network includes six commercial-scale plants in operation; five in Iowa and one in Minnesota. In the coming year, three more facilities will come on-line in Louisiana, Kansas and Iowa, which will more than double REG's current biodiesel production capacity. By 2010, Renewable Energy Group, Inc. and our network plants plan for 600 million gallons of biodiesel to be available to this nation's petroleum distributors, fuel retailers and over-the-road diesel consumers.

Each of these plants utilize between 30 and 60 million gallons per year of soybean oil, animals fats or other vegetable oils to produce an equal number of gallons of biodiesel. Within this network, approximately 3,000 Iowa investors are being represented. These are people who have committed millions of dollars of capital to bolster biodiesel production facilities in our network. With the help of these investors, REG takes pride in producing, handling, storing and distributing high quality biodiesel. REG is only the third company in the United States to earn the BQ-9000 Accredited Producer and Certified Marketer status from the National Biodiesel Accreditation Committee.

Every gallon of domestic, renewable biodiesel that is used to replace diesel fuel refined from imported crude, reduces the need for imported oil, extends the diesel supply, and expands domestic refining capacity. According to a study conducted by the US Department of Energy and the US Department of Agriculture, biodiesel has a very positive energy balance. This Biodiesel Lifecycle Inventory Study found that for every unit of energy that goes into making biodiesel, 3.2 units of energy are gained. Biodiesel also has substantial environmental benefits when compared to conventional diesel fuel.

**Federal Issues**

*Overview*

The U.S. biodiesel industry is at a critical juncture where Federal tax and energy policy determines the extent to which it grows or remains a niche, regional fuel industry.

For a viable U.S. biodiesel industry to thrive, federal policy must provide a framework that is conducive to the growth of the industry. That framework consists of three items:

- Extending the $1 per gallon biodiesel blender's tax incentive to help make the fuel price competitive with conventional diesel fuel;
- Maintaining a strong CCC Bioenergy Program to help with high feedstock prices; and
- Enacting a Biodiesel specific requirement as part of the Renewable Fuel Standard (RFS) to jump start development of a domestic market.

*Blender's Credit*

Enactment of the federal blender's credit by Congress in 2004 has provided a fundamental building block on which the industry has grown. REG markets biodiesel economically with the help of this credit. The growth of REG's network plants is illustrative of that fact, because the credit has stimulated investment in new plants not just in Iowa, but beyond. Commercial plants offer new skilled jobs and rural development and enhanced energy security by adding biodiesel production capacity. The tax credit is fueling our nation's energy supply and, with each step, has benefited America's farmers. The blender's credit expires on December 31, 2008. It is critically important that Congress extend the blender's credit.

*Farm Bill*

On July 27th, the House passed H.R. 2419, its version of the Farm Bill which contained $1.4 billion in mandatory funding for the CCC Bioenergy Program between 2008 and 2012. The

CCC Bioenergy Program helps producers offset the cost of feedstock, a policy objective that is timely and relevant given dramatic increases in feedstock prices.

The CCC Bioenergy Program has encouraged the increased production of biodiesel and other biofuels and the construction of new production capacity, which has helped offset the costs of increasing feedstock prices.

Profitability is difficult in the initial years of production for any endeavor, and the margins for new biodiesel facilities are evaporating with the rapidly increasing feedstock costs. The CCC Bioenergy Program provides valuable financial assistance to ensure the success of these new ventures, and our industry asks Congress to reauthorize the CCC Bioenergy Program in a manner that provides a per gallon support for all domestic biodiesel production.

Additionally, Renewable Energy Group, Inc. supports programs which target biodiesel consumers relating to biodiesel utilization. Our industry continues to seek support for engine testing and further emissions and performance data which can be utilized in this education process.

*Biodiesel Renewable Fuel Standard (Biodiesel RFS)*

Finally, whereas the blender's credit and the Farm Bill CCC Bioenergy Program help to lower the cost of our feedstocks and the processing of the fuel, our industry will be nowhere without a ready domestic market for biodiesel.

In order to ensure a viable domestic market for biodiesel, Congress must enact a Biodiesel specific requirement as part of the RFS. Absent a Biodiesel RFS, domestic producers will suffer. The Energy Policy Act of 2005, created a Renewable Fuels Standard (RFS), which has encouraged the use of renewables in vehicle motor fuel. Although biodiesel qualifies for the RFS, it has not functioned as a stable floor for the diesel pool market.

Addressing America's need for energy security could not be more timely or critical. America relies on imports for 60 percent of its petroleum needs. Imported petroleum makes up the single largest component of our national trade deficit amounting to approximately one third of the total. As crude oil prices continue to rise, America's trade deficit continues to balloon. *Every gallon of domestic, renewable biodiesel that is used to replace diesel fuel refined from imported crude reduces the need for imported crude and finished fuel, extends the diesel supply, and expands domestic refining capacity.*

**Conclusion**

Mr. Chairman, members, I appreciate the opportunity to come before you today on this important issue. On behalf of Western Dubuque Biodiesel and Renewable Energy Group, Inc., I want to thank you for all of the support you have given not only to the biodiesel industry, but the development of the biofuels industry overall. We look forward to continue working with you in this important endeavor.

I would be happy to answer any questions you may have.